



Improved consumer and business confidence in SA has boosted Transaction Capital's growth in headline earnings. PHOTO: SUPPLIED

Transaction Capital shows benefits from rate cut

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FINANCIAL services group Transaction Capital has hailed the reduction of the household debt-to-income ratio and the 25-basis-points rate cut in March as significant to bolster an economy that was already turning on improved political conditions.

The company's chief executive, David Hurwitz, said the encouraging political developments had supported the consumer and business confidence in the past few months.

Hurwitz said the developments have also stabilised the currency and the interest rates regime in the country.

"These factors together with greater direct investment from both foreign investors

and local business are expected to stimulate the economy with domestic and international institutions revising GDP growth rates upward for the next three years," Hurwitz said. "This should result in higher employment, consumer spending and consumer credit extension, all of which are positive developments for Transaction Capital."

Transaction Capital is the owner of businesses operating in highly specialised and under-served segments of the South African and Australian financial services market. The group operates the SA Taxi and Transaction Capital Risk Services (TCRS).

In the six months to the end of March, the group reported 22 percent growth in headline

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earnings to R310 million and maintained its compounded annual growth in headline earnings per share of 21 percent since listing in 2012.

Core headline earnings per share rose 17 percent to

50.8 cents a share, up from 43.3c, diluted by issuing 28.4 million shares as part of the accelerated bookbuild concluded in February last year, which raised R419m.

Hurwitz said the group's balance sheet remained well capitalised, liquid and un-gearred, with excess capital of more than R650m providing the capacity and flexibility for acquisitions.

"We have once again demonstrated Transaction Capital's defensive nature and both divisions are positioned to grow earnings and dividends in line with past periods and current interim performance," Hurwitz said.

The board declared an interim gross cash dividend of 21c a share, up from 15c as

compared to last year. SA Taxi delivered 20 percent growth in headline earnings to R173m during the period, while its loan portfolio grew by 15 percent to R9 billion and comprises about 30 000 vehicles.

As the largest and most critical component of South Africa's integrated public transport network, the group said the minibus taxi industry creates significant value as an employer and enabler of socio-economic activity. Over the past ten years, SA Taxi has invested more than R20bn in the minibus taxi industry, creating an estimated 70 000 black-owned small medium enterprises, which have generated more than 120 000 direct jobs.

The TCRS division posted core headline earnings growth,

including business acquisitions, of 28 percent to R119m, with the group attributing the performance to TCRS' continued acquisition of non-performing loan portfolios from South Africa's risk averse consumer lenders who prefer an immediate recovery against their non-performing loans.

In March, Transaction Capital reduced the stake of its biggest shareholder from 41 percent to 29 percent through an accelerated bookbuild. Despite reducing the stake Everglen Capital is still the biggest shareholder in the company.

As a result the international investor base has increased from 5 percent to 15 percent.

Transaction Capital rose 1.57 percent on the JSE yesterday to close at R17.50.